

Economic Conditions

April 2002

Civilian Labor Force

- To date, the current recession continues to be relatively mild by historic standards. In fact, many economists question whether the economy ever entered a recession. Virginia's unemployment rate dropped from 4.4 percent in January to 4.2 percent in February. The February unemployment rate is 43 percent less than the peak unemployment rate experienced during the last recession a decade ago. The national unemployment rate of 6.1 percent in February is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 158,500 Virginia workers were unemployed in February 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 60,000 more Virginians were unemployed in February than a year earlier—an increase of 61 percent. However, there were 5,600 fewer unemployed Virginians in February than January 2002.
- Four of Virginia's eight MSA's had February unemployment rates above the statewide average—Danville (9.3 percent), Lynchburg (6.0 percent), Bristol (5.5 percent), and Norfolk-Newport News (4.3).
- Virginia's February unemployment rate was lower than all nearby states (Georgia, Kentucky, Maryland, North Carolina, South Carolina, Tennessee, and West Virginia).

				Feb. 01 to Feb. 02	
				Net Change	% Change
Labor Force	VA	3,737,374	3,615,819	121,555	3.4%
	US	142,057,000	141,238,000	819,000	0.6%
Employment	VA	3,578,906	3,517,642	61,264	1.7%
	US	133,349,000	134,774,000	-1,425,000	-1.1%
Unemployment	VA	158,468	98,177	60,291	61.4%
	US	8,707,000	6,464,000	2,243,000	34.7%
Unemployment rate	VA	4.2%	2.7%	----	55.6%
	US	6.1%	4.6%	----	32.6%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonagricultural Employment

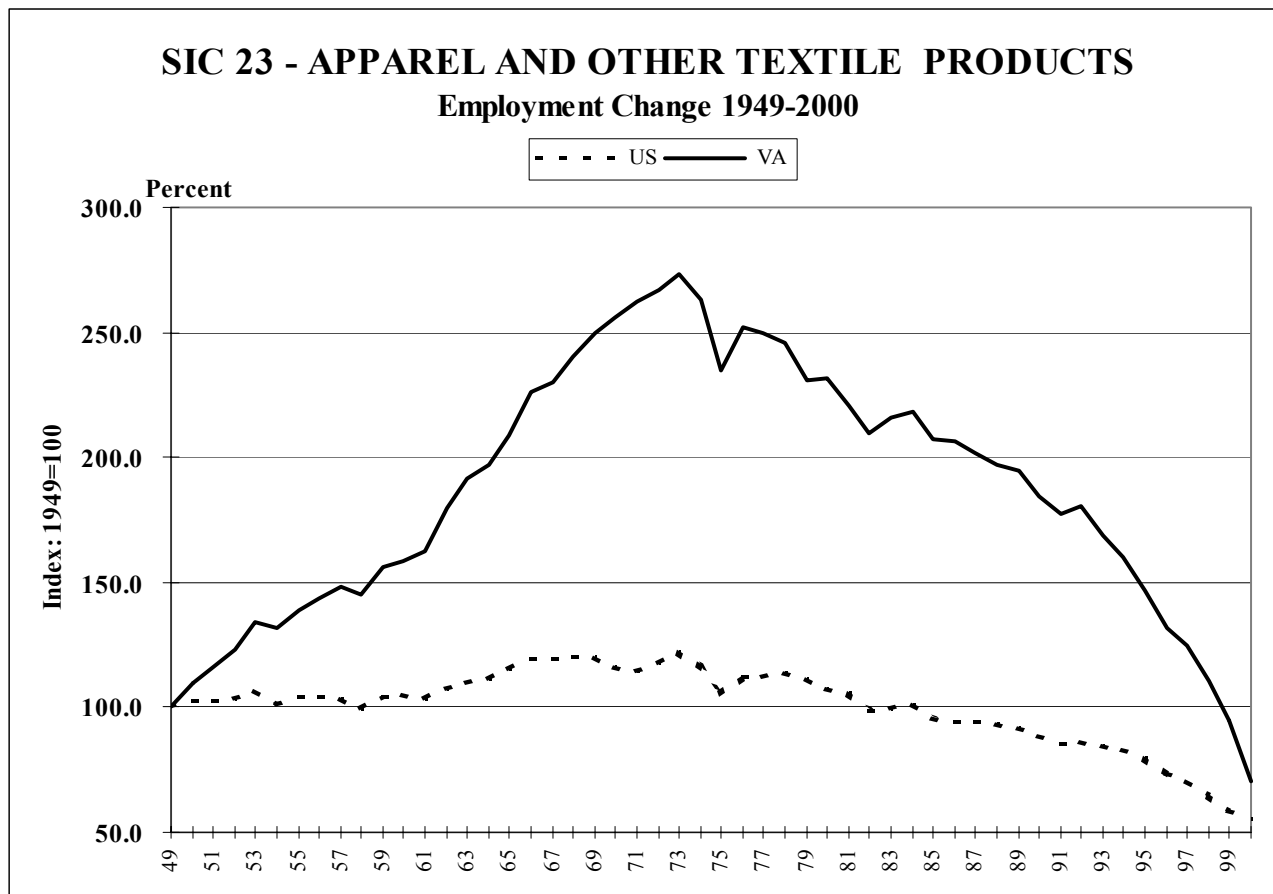
- Nonagricultural employment declined by 37,600 jobs from January 2001 to January 2002 (The December 2000 to December 2001 loss was 67,500 jobs).
- Mining; finance, insurance, and real estate; and government were the only sectors of the Virginia economy to add jobs from January 2000 to January 2001. They added a combined total of 11,100 jobs with 8,000 attributed to government.
- The largest job losses in Virginia from January 2001 to January 2002 were in manufacturing (25,900 jobs), transportation and public utilities (12,700 jobs), construction (5,900 jobs), services (3,200 jobs), and wholesale and retail trade (1,000 jobs).
- Since January 1990, services has added more jobs than any other sector of the Virginia economy—425,500—and has grown at a faster rate than any other sector—60.4 percent.

	Current				Historic			
			Jan. 01-Jan. 02				Jan. 90-Jan. 02	
	Jan. 02	Jan. 01	Net Change	%		Jan. 90	Net Change	%
Total	3,456,500	3,494,100	-37,600	-1.1%		2,846,000	610,500	21.5%
Mining	9,900	9,700	200	2.1%		14,600	-4,700	-32.2%
Construction	198,600	204,500	-5,900	-2.9%		179,900	18,700	10.4%
Manufacturing	360,300	386,200	-25,900	-6.7%		428,600	-68,300	-15.9%
Trans. and public utilities	177,600	190,300	-12,700	-6.7%		146,900	30,700	20.9%
Wholesale and retail trade	752,800	753,800	-1,000	-0.1%		645,800	107,000	16.6%
Finance, ins., and real estate	192,900	190,000	2,900	1.5%		152,300	40,600	26.7%
Services	1,129,700	1,132,900	-3,200	-0.3%		704,200	425,500	60.4%
Government	634,700	626,700	8,000	1.3%		574,400	60,300	10.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Overview

- In January 2002, manufacturing employment in Virginia reached its lowest level since March 1971.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. Since then it declined 16.7 percent, losing 72,200 jobs, with textiles and apparel accounting for 41,100 of the total. In comparison, manufacturing declined nationally by 13.5 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.5 million jobs through January 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 37 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 6.7 percent in January from a year earlier. Among neighboring states, only two (North and South Carolina) had greater percentage losses. Five states (Georgia, Tennessee, Kentucky, West Virginia, Maryland) had smaller losses.



Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 14,900 jobs over the past twelve months, a decline of 8.2 percent.
- Job losses were heaviest in three durable goods industries—electronic equipment (7,500), furniture (3,400), and primary metals (1,500). The largest percentage losses were also in electronic equipment (25.8 percent) and furniture (16.3 percent).
- The only durable goods industries to add jobs over the past twelve months were transportation equipment and lumber, which grew by 300 and 100 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, it is important to recognize that long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,300 jobs, a 38.1 percent decline, with no end in sight. Furniture, also feeling the effects of foreign competition, lost 7,000 jobs (a 28.7 percent loss) during the same period. In all likelihood the weight of foreign imports will fall heavily on this industry in the years to come.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,000 jobs since January 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases which have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			Jan. 01 –Jan. 02				Jan. 90-Jan. 02	
	Jan. 02	Jan. 01	Net Change	%		Jan. 90	Net Change	%
Total manufacturing	360,300	386,200	-25,900	-6.7%		428,600	-68,300	-15.9%
Durable goods	188,200	203,100	-14,900	-7.3%		206,800	-18,600	-9.0%
Lumber	26,300	26,200	100	0.4%		24,600	1,700	6.9%
Furniture	17,400	20,800	-3,400	-16.3%		24,400	-7,000	-28.7%
Stone, clay, glass	12,000	12,700	-700	-5.5%		14,200	-2,200	-15.5%
Primary metals	9,800	11,300	-1,500	-13.3%		12,200	-2,400	-19.7%
Fabricated metals	17,800	18,000	-200	-1.1%		18,200	-400	-2.2%
Ind. machinery	27,300	28,500	-1,200	-4.2%		22,300	5,000	22.4%
Electronic equip.	21,600	29,100	-7,500	-25.8%		34,900	-13,300	-38.1%
Trans. equip.	41,000	40,700	300	0.7%		41,900	-900	-2.1%
Instruments	10,800	11,300	-500	-4.4%		10,800	0	0.0%
Misc. mfg.	4,200	4,500	-300	-6.7%		3,300	900	27.3%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 11,000 jobs over the past twelve months, a decline of 6.0 percent.
- All Virginia nondurable goods industries lost jobs over the past 12 months with the exception of food products, which added 500 jobs.
- The heaviest job losses of the past twelve months were experienced in textiles, rubber and plastics, chemicals, printing, and apparel, which lost a combined total of almost 10,100 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries is particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have been losing jobs since the early 1970s with combined losses totaling almost 60,000 jobs. However, almost 60 percent of these jobs were lost since 1990. Given current trends the apparel industry will virtually cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,300 jobs, 11,500 since 1990 alone.

	Current				Historic			
			Jan. 01 –Jan. 02				Jan. 90-Jan. 02	
	Jan. 02	Jan. 01	Net Change	%		Jan. 90	Net Change	%
Total manufacturing	360,300	386,200	-25,900	-6.7%		428,600	-128,300	-26.3%
Nondurable goods	172,100	183,100	-11,000	-6.0%		221,800	-49,700	-22.4%
Food products	38,700	38,200	500	1.3%		36,100	2,600	7.2%
Tobacco products	8,600	9,000	-400	-4.4%		13,800	-5,200	-37.7%
Textiles	21,500	25,500	-4,000	-15.7%		42,000	-20,500	-48.8%
Apparel	8,600	9,700	-1,100	-11.3%		28,000	-19,400	-69.3%
Paper	15,800	16,700	-900	-5.4%		16,600	-800	-4.8%
Printing	36,200	37,700	-1,500	-4.0%		35,400	800	2.3%
Chemicals	19,000	20,700	-1,700	-8.2%		30,500	-11,500	-37.7%
Rubber/plastics	22,800	24,600	-1,800	-7.3%		17,200	5,600	32.6%
Petroleum/leather	900	1,000	-100	-10.0%		2,200	-1,300	-59.1%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 101.7 percent increase followed by engineering and management services, 50.2 percent, and communications, 34.3 percent. This compares with 21.5 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			Jan. 01-Jan. 02				Jan. 90-Jan. 02	
	Jan. 02	Jan. 01	Net Change	%		Jan. 90	Net Change	%
Nonmanufacturing	3,096,200	3,107,900	-11,700	-0.4%		2,418,100	678,100	28.0%
Communications	59,100	63,600	-4,500	-7.1%		44,000	15,100	34.3%
Business services	306,200	331,600	-13,000	-3.9%		158,000	160,700	101.7%
Engineering and management svcs	142,700	137,500	5,200	3.8%		95,000	47,700	50.2%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4 percent in February, before seasonal adjustment. On a seasonally adjusted basis the CPI-U increased 0.2 percent in February. The energy index decreased 0.8 percent while the food index rose 0.2 percent, primarily due to large increases in the prices for fruits and vegetables.
- Medical care costs increased 0.3 percent from January with charges for hospital services rising 0.7 percent. The index for apparel rose 0.5 percent.

Current			Historic		
	% Change, Jan. 01 to Feb. 02	% Change Feb. 01 to Feb. 02	% Change Feb. 90 to Feb. 02	% Change Feb. 80 to Feb. 02	% Change Feb. 70 to Feb. 02
Feb. 02					
177.8	0.4%	1.1%	38.9%	125.3%	367.9%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Finance

- The current federal funds rate of 1.75 percent remains unchanged since it was set in mid-December. The federal funds rate, one of the most frequently quoted and misunderstood financial indicators, is at its lowest level in almost four decades.
- The Dow Jones, S&P 500, and NASDAQ are currently 12 percent, 25 percent, and 63 percent, respectively, below their all-time highs.

	April 02	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
DJIA	10363	0.0%	2.8%	14.7%	3.7%
S&P 500	1147	1.3%	-0.7%	9.4%	0.0%
NASDAQ	1863	3.2%	-2.6%	20.6%	4.3%

	April 02	Oct. 01	April 01
Federal funds rate	1.75%	3.00%	5.00%
Treasury – 5 year	4.83%	3.77%	4.59%
Treasury – 10 year	5.43%	4.54%	4.97%
Bank prime loan rate	4.75%	6.00%	8.00%

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

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